

CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.

(中国高纤控股有限公司)

("Company")

(Company Registration No. 200817812K)

(Incorporated in Singapore on 9 September 2008)

FURTHER INFORMATION ON THE COMPANY'S ANNOUNCEMENT DATED 21 SEPTEMBER 2014

*Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as ascribed to them in the Company's Circular dated 29 May 2013 ("**Circular**").*

The Board of Directors ("**Board**") of China Gaoxian Fibre Fabric Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the announcement relating to the update on the Second Tranche Transactions released to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 21 September 2014 ("**Prior Announcement**") and wishes to provide further information as follows:-

(A) Clarification to the Announcement

It was stated in the Prior Announcement that to-date, RMB333 million of the RMB500 Syndicated Loan Facility have been disbursed. The Company would like to clarify that the correct amount disbursed up to 21 September 2014 should instead be RMB363 million.

(B) Response to SGX-ST's Queries

SGX-ST Queries: It was disclosed in the Announcement that "China Success Group (International Holdings) Limited ("China Success") and Fleur Growth Fund Limited had mutually agreed not to proceed with the completion of the Second Tranche Transactions as the Company has not received the full Syndicated Loan Facility of RMB500 million; to-date RMB333 million had been disbursed.". Please further elaborate and provide details on the following:-

(a) Reasons why the Syndicated Loan Facility of RMB500 million ("Facility") was not fully disbursed and why the Company is unable to fulfill such terms of the Facility.

Company's answer to Query (a):-

As previously announced by the Company, the Syndicated Loan Facility is to be secured by *inter alia* Huaxiang China's land use rights over the land used for the New Production Facilities ("**Land**"), which had been previously divided into four sub-plots to facilitate the Group's use of the Land as security for the loans advanced or to be advanced to the Group.

While the consortium of PRC banks ("**Bank Consortium**") has accepted the use of three sub-plots of the Land as security for the Syndicated Loan Facility and has since disbursed approximately RMB363 million to the Group, approximately RMB137 million of the Syndicated Loan Facility ("**Undisbursed Amount**") remain undisbursed as the Bank Consortium is of the view that valuation of the remaining sub-plot of Land is not sufficient to fully secure the Undisbursed Amount.

In this regard, the Company has been negotiating with the Bank Consortium and the latter has agreed to disburse a further RMB94 million upon the completion of the mortgage procedures for the fourth sub-plot of Land. The Group expects the aforesaid procedures to be completed in mid-October 2014.

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In order to secure the drawdown of the balance Undisbursed Amount, the Group has agreed to put up a part of the Office Property as additional security for the Syndicated Loan Facility. The aforesaid security will be provided once the Group has obtained the relevant title certificate for the Office Property and the valuation exercise for the Office Property has been completed. In this regard, the Group expects to obtain the aforesaid title certificate in mid-October 2014 and the aforesaid valuation exercise is expected to be completed by the end of October 2014.

(b) Without the Second Tranche Transactions, how will the construction of the new production facilities in connection with the Huaxiang Project be affected? What does the successful completion of Huaxiang Project entail?

Company's answer to Query (b):-

As of 5 September 2014, approximately RMB50 million is still required to complete the construction of the New Product Facilities. Further, the construction of the Office Property has been completed in August 2014, and approximately RMB45 million of payments would need to be paid by the Group relating to the completion of the Office Property.

Notwithstanding the delay in the drawdown of the Syndicated Loan Facility, to ensure the smooth running of the Group's operations and the completion of the New Production Facilities, the Group had secured short-term financing (including short-term loans from financial institutions, third-party institutions and bill payable facilities) and a 3-year unsecured term loan amounting to RMB242 million from China Citic Bank (Fujian Branch), details of which were set out in the Company's announcements dated 14 August 2014 and 28 August 2014.

In view of the above, the Company does not expect the non-completion of the Second Tranche Transactions, the subscription proceeds of which amounts to SGD3,500,000 (approximately RMB17.2 million), to significantly impact the construction and completion of the New Production Facilities and the Office Property.

(c) Is the construction of new production facilities and completion of Huaxiang Project on track? What are the completed and outstanding key milestones to-date? How will the Company be funding the remaining milestones.

Company's answer to Query (c):-

As at the date of this announcement, the Group has completed the construction of the various key facilities for the New Production Facilities, including the texturing plant, the spinning plant, the polymerisation plant, the staff facilities and the auxiliary facilities. The Group has further completed the calibration of the machineries in the texturing plant, which have since been utilised for production operations.

Key remaining milestones of the New Production Facilities include the calibration and trial runs of the various machineries in the polymerisation plant, as well as the installation, calibration and operation of the remaining machineries in the spinning plant.

Please refer to the Company's response to Query (b) above as to the status of the Office Property and the Group's funding arrangement for the completion of the New Production Facilities and the Office Property. In view of such funding arrangement, the Company expects to achieve the remaining milestones by end of this year, after taking into consideration the current difficulties faced by the Group in its recruitment of operators to carry out *inter alia* the operations of the plants.

(d) What are the implications to Huaxiang Project and the Company due to these developments?

Company's answer to Query (d):-

Please refer to the Company's responses to Queries (b) and (c) above.

(e) What is the impact on moratorium period provided by China Success and Fleur Growth Fund Limited ("Investor")? When will the moratorium period end for the 2 shareholders and what is the terminating event which the lifting of moratorium is tied to?

Company's answer to Query (e):-

1. Moratoriums applicable to China Success

As set out in the Circular, China Success has undertaken not to transfer or encumber:-

- (i) all its remaining Shares and any Shares arising from its exercise of the Warrants (collectively, "**CS Moratorium Shares**") until the completion of the construction of Huaxiang Project (comprising of the New Production Facilities and the Office Property); and
- (ii) 80% of the CS Moratorium Shares until the full repayment of the New Project Finance (comprising of the Syndicated Loan Facility and the Equipment Finance Lease),

save for the Shares that it would be transferring to the Investor pursuant to the terms of the Implementation Agreement.

With respect to paragraph (i) above, the completion of Huaxiang Project is now expected to take place by end of 2014 and 20% of the CS Moratorium Shares would be released after such completion upon prior consultation with SGX-ST.

With respect to paragraph (ii) above, the Company expects to fully repay the Syndicated Loan Facility and the Equipment Finance Lease respectively in November 2017 and December 2016 as set out in terms of the respective financing documents.

Notwithstanding the above, as the Second Tranche Transaction were not proceeded with, the Company will be taking steps to dispose of 70,000,000 CS Moratorium Shares which China Success was supposed to transfer to the Investor as part of the Second Tranche Transactions. Further details of this process can be found in the Circular.

2. Moratoriums applicable to the Investor

Further, the Investor has also undertaken not to sell, transfer or otherwise dispose of or create any encumbrances over:-

- (i) the First Tranche Subscription Shares and the First Tranche Transfer Shares ("**First Tranche Shares**") until the expiry of 12 months from the First Tranche Completion Date; and
- (ii) the Second Tranche Subscription Shares and the Second Tranche Transfer Shares until the expiry of 12 months from the Second Tranche Completion Date.

With respect to paragraph (i) above, the First Tranche Completion Date was 18 September 2013 and as such, the moratorium period over the First Tranche Shares has since expired on 18 September 2014.

With respect to paragraph (ii) above, the relevant moratorium is no longer applicable given that the Second Tranche Transactions did not take place in view of the circumstances set out in the Prior Announcement.

BY ORDER OF THE BOARD

Tham Wan Loong, Jerome
Executive Director
25 September 2014